

Environmental, Social and Governance (ESG) Report

Sunlight Technology Holdings Limited Environmental, Social and Governance (ESG) Report

Environmental, Social and Governance (ESG) Report

CONTENTS

1. ABOUT THE ENVIRONMENTAL, SOCIAL AND GOVERNANCE REPORT	4
1.1 Governance Structure	4
1.2 Reporting Principles	5
1.3 Reporting Scope	6
2. ANALYSIS OF ENVIRONMENTAL PERFORMANCE OF THE COMPANY	7
2.1 Overview of Environmental Policies in Regions Where We Mainly Operate	7
2.2 Analysis of Emissions Generated by the Company	9
2.2.1 Analysis of relevant emission indicators of the Company	9
2.3 Analysis on the Company's Use of Resources	16
2.3.1 Major energy consumption structure of the Company	16
2.3.2 Analysis on relevant indicators for the Company's use of resources	16
2.4 Analysis Related to the Company's Impact on Environment and Natural Resources	19
2.4.1 Analysis of significant impacts on environment and natural resources caused by the Company's business activities, and relevant measures thereof	19
2.4.2 Major climate-related issues affecting the Company and countermeasures	20
3. ANALYSIS OF CORPORATE SOCIAL RESPONSIBILITY	21
3.1 Analysis on the Company's Employment and Labour Practices	21
3.1.1 Overview of staff employment and labour standards	21
3.1.2 Overview of protection for employee health and safety	24
3.1.3 Overview of staff development and training	26
3.1.4 Standards and measures for preventing of child or forced labour	27
3.2 Analysis of Operation and Management	28
3.2.1 Overview of supply chain management	28
3.2.2 Overview of product responsibility	31
3.2.3 Brief analysis of anti-corruption measures of the Company	33
3.2.4 Overview of community engagement of the Company	34

Environmental, Social and Governance (ESG) Report

1. ABOUT THE ENVIRONMENTAL, SOCIAL AND GOVERNANCE REPORT

This report is a summary of the performance of Sunlight Technology Holdings Limited (the “Company”) in the aspect of environmental, social and governance for 2020, reporting on the Company’s overall performance in environmental protection, employee protection, work safety and social responsibility. This report is prepared in accordance with the Environmental, Social and Governance Reporting Guidelines (hereinafter referred to as the “Guidelines”) contained in Appendix 27 of the Rules Governing the Listing of Securities on the Stock Exchange of Hong Kong Limited.

1.1 Governance Structure

Concerned about the environmental and social impact of daily operations, the Company strives to set a good example to society and contributes to its efforts to achieve the best balance while operating its business in the interests of all its stakeholders, the economy, the environment, the society and its corporate governance.

In the supervision of environmental, social and governance matters, the board of directors and its members shall mainly assume the following duties:

(i) to develop and review the Group’s environmental, social and governance framework, strategies, policies and procedures, and to implement the various environmental, social and governance policies adopted by the Board; (ii) to review and monitor the implementation of the Group’s environmental, social and governance policies to ensure compliance with legal and regulatory requirements; (iii) to implement measures to promote the Group’s environmental, social and governance policies and to set appropriate corporate objectives, performance indicators and measures to ensure that the environmental, social and governance policies are effective; and (iv) to review the annual Corporate Governance Report and Environmental, Social and Governance Report for approving the disclosure, and to review and monitor the training and continuous professional development of Directors and senior management in respect of environmental, social and governance. The Board shall meet at least once a year for environmental, social and governance matters. Additional meetings may be convened by the Board if necessary.

Environmental, Social and Governance (ESG) Report

In addition, the Company has set up a working group on environment, social and governance with the following responsibilities:

(i) to assist the Board in formulating, reviewing and implementing the Group's environmental, social and governance framework, strategies, policies and procedures; (ii) to regularly evaluate the Company's risk and internal control systems in relation to environmental, social and governance; to supervise and guide the implementation of environmental, social and governance policies among all its departments; (iii) to promote environmental, social and governance (such as emission reduction, environmental greening, community activities, etc.); (iv) to assess the importance of improving the Group's environmental, social and governance policies and make recommendations to the Board; (v) to conduct the collection and data analysis of information required for the Environmental, Social and Governance Report; and (vi) to prepare the annual Corporate Governance Report and Environmental, Social and Governance Report, and to organize training and continuous professional development for Directors and senior management on environmental, social and governance issues. The environmental, social and governance working group shall organize meetings semi-annually to prepare and follow up reporting matters and report annually to the Board on the performance of the environmental, social and governance. The working group is required to submit annually to the Board a work plan describing the work on the environment, society and governance in the coming year, as well as recommendations on whether environmental, social and governance advisors or engineering technical advisors should be hired.

1.2 Reporting Principles

The preparation of this report complies with the principles of materiality, quantitative and consistency as required by the Guidelines.

Materiality

In 2020, the Company conducted an assessment on key issues related to environmental, social and governance. Based on the actual business and industry characteristics of the Company, the Board identified and confirmed five environmental, social and governance issues that were most significant on the Company: emissions, employment, employee health and safety, staff development and training, product liability.

The results of the material issues assessment will be used to guide the Company in formulating its future environmental, social and governance work plans and objectives, with a view of creating sustainable value for stakeholders.

Quantitative

The criteria, methods and assumptions used in reporting on all key performance indicators ("KPIs"), such as emissions, energy consumption, are set out in the guidance document of the Stock Exchange of Hong Kong Limited on environmental, social and governance (Appendix 2: Reporting Guidance on Environmental KPIs and Appendix 3: Reporting Guidance on Social KPIs).

Environmental, Social and Governance (ESG) Report

Consistency

This report discloses KPIs in accordance with the revised Guidelines in 2019. All new indicators are disclosed in the corresponding sections of this report in accordance with the Guidelines. The statistical methods for 2020 in this report are consistent with those of the previous year.

1.3 Reporting Scope

The Company is principally engaged in the research and development, manufacturing and sale of coating agents and synthetic resins. This report covers all of the Company's activities from 1 January 2020 to 31 December 2020 (the "Reporting Period" or "Year End 2020") and has no change in the scope of reporting as compared with the previous year.

2. ANALYSIS OF ENVIRONMENTAL PERFORMANCE OF THE COMPANY

The Company is committed to environmental protection and safety in its production. Our Directors confirm that during the Track Record Period and up to the Latest Practicable Date, we had obtained all material certificates, licences, permits and approvals in relation to environmental protection and safety production. In addition, we have obtained ISO9001:2008 quality system certification for the design, development and production of colourants and treatment agents for application on synthetic leather and successfully renewed such certificate (which has been revised to ISO9001:2015).

2.1 Overview of Environmental Laws and Policies in Regions Where We Mainly Operate

Laws and policies	Issuing date and institution	Main content
Norm of Energy Consumption Per Unit of Synthetic Leather* 《合成革單位產品能源消耗限額》	November 2018, the Standardization Administration of the People's Republic of China	Such regulation sets out the quota on comprehensive energy consumption per unit of synthetic leather for different manufacturing processes and businesses and DMF recovery, and provides a technological foundation for eliminating outdated production capacity and controlling energy consumption.

* For identification purpose only

Environmental, Social and Governance (ESG) Report

Laws and policies	Issuing date and institution	Main content
Technical Specification for Application and Issuance of Discharge Permit for Leather and fur making industry – Leather making industry* (《排污許可證申請與核發技術規範制革及毛皮加工工業-制革工業》)	September 2017, the Ministry of Ecology and Environment of the People's Republic of China	It sets out the requirements for basic information reporting in respect of the application for and grant of discharge permits for leather manufacturing industry, the determination of permitted emission limits, the calculation of actual emissions and the method of judging the compliance thereof, as well as the environmental management requirements (such as selfmonitoring, keeping ledgers on environmental management and preparation of reports on the implementation of discharge permits), and puts forward feasible technical requirements for pollution prevention and control in leather manufacturing industry.
Action Plan for Reducing Volatile Organic Compounds in Key Industries* (《重點行業揮發性有機物削減行動計劃》)	July 2016, the Ministry of Industry and Information Technology, the Ministry of Finance	For the synthetic leather industry, it sets out the objectives to focus on promoting the application of waterborne and solvent-free polyurethane, thermoplastic polyurethane elastomer and polyolefin heat shrinkable elastomer resins to replace organic solvents during the production of artificial leather, synthetic leather and microfiber leather.
Technical Roadmap for Water Saving and Emission Reduction in Leather Manufacturing Industry* (《制革行業節水減排技術路線圖》)	August 2015, China Leather Manufacturing Industry Association	It clarifies the objectives for water saving and emission reduction for the leather manufacturing industry in the next five to ten years. By 2020, through the widespread access to water saving and emission reduction technologies during the 13th five-year period and assuming that the leather production volume in the industry remaining unchanged, the annual emissions of wastewater, CODCr, ammonia nitrogen, total nitrogen and total chromium shall decrease by 9.7%, 30.5%, 39.8%, 35.5% and 27.7%, respectively, from 2014. By 2025, the annual emissions of wastewater, CODCr, ammonia nitrogen, total nitrogen and total chromium shall decrease by 19.3%, 37.9%, 59.6%, 53.9% and 48.3%, respectively, from 2014.

Environmental, Social and Governance (ESG) Report

2.2 Analysis of Emissions Generated by the Company

2.2.1 Analysis of relevant emission indicators of the Company

Exhaust gas emissions

The Company's major exhaust emissions are generated from the combustion of gasoline and diesel fuel by motor vehicles. The exhaust gas emissions from the combustion of the relevant fossil fuels include main pollutants such as nitrogen oxides (NO_x), sulphur oxides (SO_x), suspended particulate matter (PM). In 2020, the Company generated total emissions of approximately 208.37 kg of nitrogen oxides, approximately 0.42 kg of sulphur oxides and approximately 19.56 kg of suspended particulate matter during its production and operating activities.

Greenhouse gas emissions

The greenhouse gas emissions generated by the Company mainly originated from the combustion of gasoline by motor vehicles, the natural gas combustion and the use of electricity in its business. Greenhouse gas emissions include two major scopes: direct greenhouse gas emissions and indirect greenhouse gas emissions. The table below shows the greenhouse gas emissions of the Company in 2020:

Type of greenhouse gas emissions	Direct emissions (Unit: tonne of carbon dioxide equivalent)	Indirect emissions (Unit: tonne of carbon dioxide equivalent)
Carbon dioxide (CO ₂)	68.03	1,433.47
Methane (CH ₄)	0.11	0.32
Nitrous oxide (N ₂ O)	6.34	6.61
Total	74.48	1,440.40

In 2020, the Company generated total carbon emissions of approximately 1,514.89 tonnes of carbon dioxide equivalent, with an emission intensity of approximately 1,126.80 tonnes of carbon dioxide equivalent/RMB100 million.

Environmental, Social and Governance (ESG) Report

Hazardous/non-hazardous waste

The Company has formulated clear and specific guidelines on waste management. We strictly comply with local waste separation standards for separating and storing different waste accordingly. The table below sets out the waste generated by the Company in 2020.

Type of toxic and hazardous waste	Unit	Emissions in 2020
Waste resin solutions	tonne	76.76
Filtered colourant residue	tonne	8.71
Packaging waste and cleaning debris	tonne	3.00
Sewage sludge	tonne	26.33

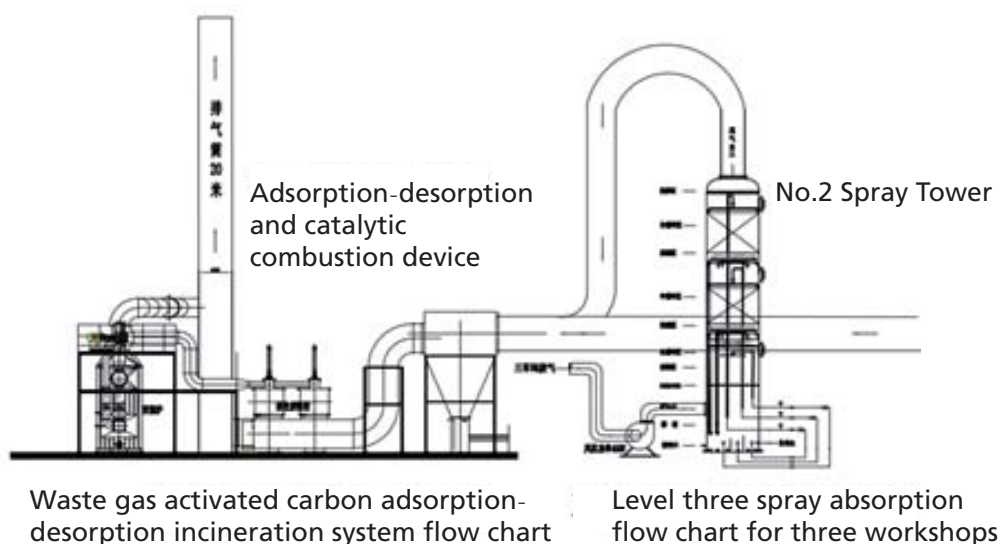
Type of non-hazardous waste	Unit	Emissions in 2020
Industrial wastewater	tonne	1,346.00
Solid waste	kg	13.20

Targets and measures on exhaust gas and greenhouse gas emissions

Emission targets:

The waste gas in the factory area mainly consists of: industrial waste gas produced in the production process, waste gas produced by the waste water treatment system, and waste gas produced by the combustion of the canteen stove. For the industrial waste gas produced in the production process, the Company collects it from the suction hood to the waste gas treatment device, and uses the "three-stage water spray + activated carbon adsorption + catalytic combustion" method to remove pollutants in the gas. For the waste gas (mainly hydrogen sulfide and ammonia gas generated by microbial activities in the biochemical system) generated by the waste water treatment system (sewage station), it will be discharged through the closed oxidation absorption treatment. For the exhaust gas produced by the cooking of the canteen stove, because the total amount is small, it is uniformly led from the flue to the roof of the building, and is discharged after being processed by the flue gas purification device.

Environmental, Social and Governance (ESG) Report



(Industrial waste gas treatment facilities)

In order to reduce the emission of exhaust gas, the Company has strengthened waste gas collection by reinforcing source control, optimizing and transforming the existing collection system for the current year: (i) installing soft curtains in the automatic batching area of the production workshop; (ii) adding gas collection covers to the packaging area; (iii) adding caps to the batching steel substrate to prevent the gas from dispersing when beaded grinding is carried out; installing the packer in a closed room; and (iv) installing exhaust gas collection facilities in hazardous waste depots and weighbridge batching areas.



(Installing soft curtains in the automatic batching area of the production workshop)



(Adding gas collection covers to the packaging areas)

Environmental, Social and Governance (ESG) Report



(Adding caps to the batching steel substrate for beaded grinding)



(Installing the packer in a closed room)



(Installing exhaust gas collection facilities in hazardous waste depots and weighbridge batching areas)



The Company will keep abreast of and monitor the environmental impact of our daily operations by continuously monitoring and announcing the Company's carbon footprint. At the same time, we have implemented the following energy saving and energy efficiency measures in various offices, so as to reduce the greenhouse gas emission:

(i) Installation of high-performance electrical machinery; (ii) Requiring that the procurement department must purchase products with high energy efficiency; (iii) Automatic light control system; (iv) Requiring that all office floors shall be illuminated with LEDs; (v) Requiring that employees must turn off lighting and unnecessary energy-consuming devices when they leave, so as to reduce energy consumption and avoid unnecessary energy waste; and (vi) Requiring that more natural light shall be used in office floors; Installation of sub-meters for supervising the use of electricity, etc.

Environmental, Social and Governance (ESG) Report

Waste management, waste reduction targets and related measures

Waste reduction targets:

The Company carries on waste management in strict accordance with the Law of the PRC on the Prevention and Control of Environmental Pollution Caused by Solid Wastes* (《中華人民共和國固體廢物污染環境防治法》), thus reducing wastes from the source, carries out recycling of wastes and dispose of hazardous wastes in a responsible manner. The specific management measures include: (i) the separation of laboratory wastes and domestic wastes and promoting the more detailed separation of hazardous wastes in production workshops; and (ii) entrusting qualified entities to dispose hazardous wastes and general solid wastes, etc.



(Laboratory waste separation)



(Domestic waste separation)

In order to reduce its hazardous and non-hazardous waste emissions, the Company mainly adopted the following measures: (i) promoting paperless office to reduce the amount of paper used; (ii) putting up signs in the office to encourage and guide staff to reduce waste generation; (iii) signing agreements with suppliers to recover raw material barrels and to reduce the production of dangerous waste barrels; and (iv) avoiding secondary pollution to the environment according to the principle of “comprehensive utilization and recycling”, and adopting the recyclable stainless steel tank and plastic tank.

Environmental, Social and Governance (ESG) Report

大罐使用告知函

尊敬的客户：

经过多年的合作，双方结成了良好的伙伴关系。近年来，国家对环境加强了监管，为了更好的保护环境，贵司提出要求我司能够改善供货包装桶。为了提供更好的服务，我司采用1吨不锈钢罐和1吨塑料罐，该罐能够循环使用。附图：

图1：1吨不锈钢罐的包装要求：

1. 保证四个罐顶螺栓拧紧；
2. 进气阀门关闭；
3. 手柄位置垂直向上（图1）；
4. 罐体保持清洁，不能有产品残留、记号笔涂改信息、旧标签等；

标签位置如图所示

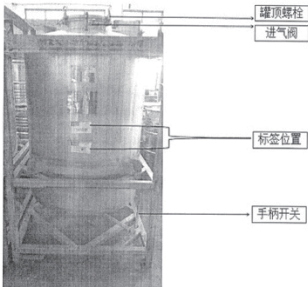


图1

图2：1吨塑料罐的包装要求：

1. 保证罐顶螺栓拧紧；
2. 手柄关闭；
3. 保持罐体清洁，不能有产品残留、记号笔涂改信息、旧标签等；

标签位置如图所示

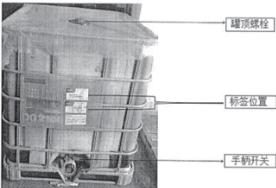


图2

1. 贵司在收到我司的1吨塑料罐或1吨不锈钢罐后，须检查外观，如外观完好，在送货单上签收。如贵司发现异常，可拒收。
2. 贵司须保证我司大罐外观干净，整洁，无凹陷，无破损且零件不缺失。如贵司在使用过程中，造成罐体凹陷、锈蚀、零件缺失，贵司应承担我司因此造成的损失。
3. 贵司在使用好大罐后：
 - 3.1 贵司须关闭罐顶螺栓并盖好罐顶密封盖；
 - 3.2 大罐顶部的盖子盖平，螺栓拧紧；
 - 3.3 大罐顶部的进气阀门及时关闭。贵司在使用过程中，如不能一次性用完原料时，须关紧进气阀，以免空气进入引起罐体锈蚀，由此产生的一切问题，贵司不承担任何责任！如贵方由此退货，须承担3元/公斤费用。

希望贵司能理解并继续支持！我司也将一如既往地提供高质量的产品和优质服务全力支持贵司事业的发展！

顺颂商祺！

浙江振基新材料科技股份有限公司
2016.10.10

(Notification letter for use of large tanks)

1000L 不锈钢罐循环使用协议

甲方：福建博艺材料科技有限公司
乙方：浙江振基新材料科技股份有限公司

根据国家相关法律和环境保护的相关规定，甲乙双方本着“综合利用，循环利用”的原则，避免对环境造成二次污染，现就甲方乙方购买的环保黑色聚和树脂产品在甲方使用完后的空 1000L 不锈钢罐，乙方回收后循环使用。但在 1000L 不锈钢罐使用一段时间后，我公司生产部门反映退回的罐存在以下问题：

- 1、空罐里有较多余料且结块，余料多首先对甲方造成很大的浪费，且乙方在清洗时需要用大量的 DMF 浸泡，给乙方废水处理带来了很大麻烦。
- 2、桶盖丢失，导致余料硬化结块，使乙方在清洗时需要长时间的浸泡，给生产环节带来用桶紧张，导致乙方发货延迟。

特制订如下协议：

一、 协议期限：

1. 本协议起始日期：2019年6月1日起；
2. 本协议终止日期：甲乙双方因原材料采购合同终止，本协议自动终止。

二、 甲方职责：

1. 甲方将乙方使用后的空 1000L 不锈钢罐：
 - a.及时封盖，避免桶内余料干凝结块；
 - b.保持桶体干净；
 - c.进行分类放置和保管；
 - d.确保乙方回收的空罐残留物<1%；
 - e.罐盖齐全，无破损无漏漏现象，如盖子丢失，甲方需承担 50 元/只费用（如有违反，乙方有权利拒收）；
2. 放置中严格按照环保相关要求，进行管理，甲方不能私自处理空 1000L 不锈钢罐，如违反乙方不承担任何责任；
3. 退罐过程中，应有乙方司机签字确认所退罐体的情况和数量，没有签字乙方不承担任何责任。

4. 未达到以上退罐标准的回收罐，乙方甲方收取每个罐 300 元的清洗及处理成本的费用，收费不是目的，而是希望甲乙双方能够引起重视，共同努力保护环境。

三、 乙方职责：

1. 乙方利用每次退罐材料到甲方的机会，在车辆退罐时对方空 1000L 不锈钢罐，进行回收；
2. 乙方运输回收空 1000L 不锈钢罐时，应事先采取预防措施，防止运输过程中发生罐盖等污染环境；
3. 乙方承诺对空 1000L 不锈钢罐，回收后循环利用。

四、 生效日期：

本协议经甲乙双方签字确认后生效，一式两份，双方各执一份，具有同等法律效力。

甲方（盖章）

代表

日期

乙方（盖章）

代表

日期

(Agreement in relation to recycling of 1,000-L stainless tanks)

Environmental, Social and Governance (ESG) Report

1000L 塑料罐循环使用协议

甲方：宁波市天一合成有限公司
乙方：浙江深蓝新材料科技有限公司

根据国家相关法律和环境保护的相关规定，甲乙双方本着“综合利用，循环利用”的原则，避免对环境造成二次污染，现就甲方向乙方购买的蓝色黑色浆产品，在甲方使用完后的空 1000L 塑料罐，乙方回收后循环利用。

但在 1000L 塑料罐使用一段时间后，我公司生产部门反映退回的罐存在以下问题：

1. 空罐里有较多余料且结块，余料多首先对甲方造成很大的浪费，且乙方在清洗时需要用大量的 DMF 浸泡，给乙方废水处理带来了很大麻烦。
2. 桶盖丢失，导致余料硬化结块，使乙方在清洗时需要长时间的浸泡，给生产回用环节带来用桶紧张，导致乙方发货延时。

特制订如下协议：

一、协议期限：

1. 本协议起始日期：2019 年 6 月 1 日起；
2. 本协议终止日期：甲乙双方因原材料采购合同终止，本协议自动终止。

二、甲方职责：

1. 甲方将乙方使用后的空 1000L 塑料罐：
 - a. 及时封盖，避免桶内余料干裂结块；
 - b. 保持桶体干净；
 - c. 进行分类放置和保管；
 - d. 确保乙方回收的空罐残留物 < 1%；
 - e. 桶盖齐全，无破损无漏漏现象，如盖子丢失，甲方需承担 50 元/只费用（如有违反，乙方有权拒收）；
2. 放置中严格按照环保相关要求，进行管理。甲方不能私自处理空 1000L 塑料罐，如违反乙方不承担任何相关责任；
3. 退罐过程中，应有乙方司机签字确认所退罐体的情况和数量。没有签字乙方不承担任何相关责任。

三、乙方职责：

1. 乙方利用每次送原材料到甲方的机会，在车辆返回时对空 1000L 塑料罐，进行回收；
2. 乙方运输回收空 1000L 塑料罐时，应事先采取预防措施，防止运输过程中发生泄露等污染环境；
3. 乙方承诺对空 1000L 塑料罐，回收后循环利用。

四、生效日期：

本协议经甲乙双方签字盖章确认后生效，一式两份，双方各执一份，具有同等法律效力。

甲方（盖章）：_____
代表：_____
日期：2019 年 6 月 1 日

乙方（盖章）：_____
代表：_____
日期：2019 年 6 月 1 日

(Agreement in relation to recycling of 1,000-L plastic tanks)

150L 不锈钢罐循环使用协议

甲方：杭州卡洛实业有限公司
乙方：浙江深蓝新材料科技有限公司

根据国家相关法律和环境保护的相关规定，甲乙双方本着“综合利用，循环利用”的原则，避免对环境造成二次污染，现就甲方向乙方购买的蓝色黑色浆 BLPK 系列产品，在甲方使用完后的空 150L 不锈钢罐，乙方回收后循环利用。

但在 150L 不锈钢罐使用一段时间后，我公司生产部门反映退回的罐存在以下问题：

1. 桶里有较多余料且结块，余料多首先对甲方造成很大的浪费，且乙方在清洗时需要用大量的 DMF 浸泡，给乙方废水处理带来了很大麻烦。
2. 桶盖与桶身分离及部分桶身存在桶盖丢失，导致余料硬化结块，使乙方在清洗时需要长时间的浸泡，给生产回用环节带来用桶紧张，导致乙方发货延时。

特制订如下协议：

一、协议期限：

1. 本协议起始日期：2019 年 6 月 1 日起；
2. 本协议终止日期：甲乙双方因原材料采购合同终止，本协议自动终止。

二、甲方职责：

1. 甲方将乙方使用后的空 150L 不锈钢罐：
 - a. 及时封盖，避免桶内余料干裂结块；
 - b. 保持桶体干净；
 - c. 进行分类放置和保管；
 - d. 确保乙方回收的空罐残留物 < 1%；
 - e. 桶盖齐全，退回时要求重新盖严桶盖，无破损无漏漏现象（如有违反，乙方有权拒收）；
2. 放置中严格按照环保相关要求，进行管理。甲方不能私自处理空 150L 不锈钢罐，如违反乙方不承担任何相关责任；
3. 退罐过程中，应有乙方司机签字确认所退罐体的情况和数量。没有签字乙方不承担任何相关责任。

三、乙方职责：

1. 乙方利用每次送原材料到甲方的机会，在车辆返回时对空 150L 不锈钢罐进行回收；
2. 乙方运输回收空 150L 不锈钢罐时，应事先采取预防措施，防止运输过程中发生泄露等污染环境；
3. 乙方承诺对空 150L 不锈钢罐回收后循环利用。

四、生效日期：

本协议经甲乙双方签字盖章确认后生效，一式两份，双方各执一份，具有同等法律效力。

甲方（盖章）：_____
代表：_____
日期：2019 年 6 月 1 日

乙方（盖章）：_____
代表：_____
日期：2019 年 6 月 1 日

(Agreement in relation to recycling of 150-L stainless tanks)

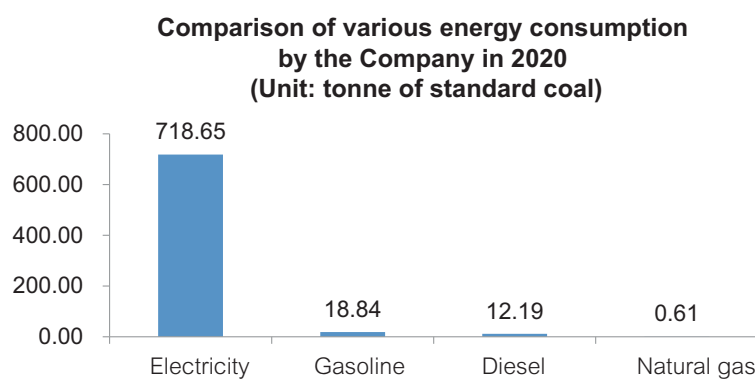
Environmental, Social and Governance (ESG) Report

2.3 Analysis on the Company's Use of Resources

2.3.1 Major energy consumption structure of the Company

In 2020, the Company consumed approximately 12.81 tonnes of gasoline, approximately 8.36 tonnes of diesel, and approximately 0.33 tonnes of natural gas, with an aggregate of approximately 21.50 tonnes of fossil fuels in its operation. In addition, the Company consumed approximately 1,778,800 kWh of electricity and approximately 24,700 tonnes of water resources in its operation.

In 2020, the Company's total energy consumption in operation amounted to approximately 750.30 tonnes of standard coal, of which approximately 95.78% was electricity, 2.51% gasoline, 1.62% diesel and 0.08% natural gas.



2.3.2 Analysis on relevant indicators for the Company's use of resources

Total energy consumption and energy consumption intensity

The table below shows various energy consumption of the Company in 2020:

Unit	Total gasoline consumption of the Company in 2020
litre (l)	17,541.26
kg	12,805.12
kg of standard coal (kgce)	18,841.45

Environmental, Social and Governance (ESG) Report

Unit	Total diesel consumption of the Company in 2020
litre (l)	9,841.00
kg	8,364.85
kg of standard coal (kgce)	12,188.42

Unit	Total natural gas consumption of the Company in 2020
cubic meters (m ³)	461.00
kg	330.72
kg of standard coal (kgce)	613.13

Unit	Total electricity consumption of the Company in 2020
kWh	1,778,845.00
kg of standard coal (kgce)	718,653.38

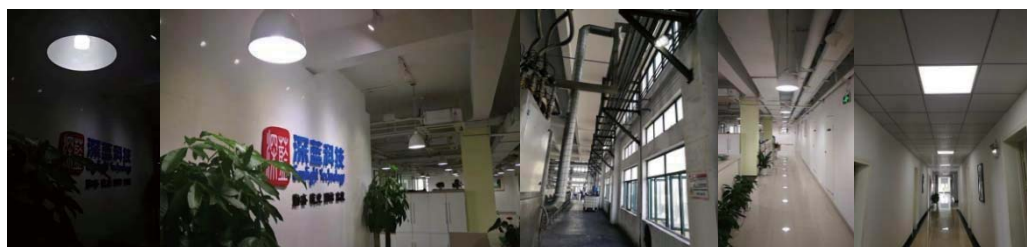
The Company consumed total energy of approximately 750.30 tonnes of standard coal, with an energy consumption intensity of approximately 55.81 kg of standard coal/RMB10,000 during the year of 2020.

The Company consumed a total of approximately 24,700 tonnes of water, with an energy consumption intensity of 1.4 tonnes/RMB10,000 during the year of 2020.

Targets and measures for energy efficiency

Targets for improving energy efficiency:

In 2020, in order to increase the efficiency of energy use, the Company has invested a screw discharging kneading machine in the color chips production line, so as to improve the heating efficiency and kneading efficiency. In addition, the Company has used solar energy for power generation and has vigorously promoted the effective use of energy in production management system, thus saving water and electricity, and enhancing the awareness of employees in energy conservation and environmental protection in production activities.



(Environment-friendly LED lamps adopted)

Environmental, Social and Governance (ESG) Report



(Invoices relating to power generation through solar energy)



(Reminder labels for saving water, electricity and paper use)

Drawing available water

The Company drew available water in accordance with the relevant national laws and regulations including the Regulation on the Administration of the Water Drawing Permit and the Water Resource Fee Collection* (《取水許可和水資源費徵收管理條例》), and had not experienced any problem in drawing available water.

Targets and measures for water use efficiency

Targets of improving water use efficiency:

The Company's overall water consumption is not significant and the following water saving measures are mainly adopted: (i) circulating the cooling process water of production equipment; (ii) using the water-based black pulp product for the recovery of the spray water treated by the spray tower; timely repairing the leaking taps and pipes; and (iii) adopting the production method and the device which can effectively save water; regular inspection of water consumption; trying to lower the water pressure.

Total volume of packaging materials consumed for finished products

The packaging materials for the products of the Company are mainly plastic, paper and metal. In 2020, total volume of packaging materials consumed by the Company for finished products amounted to approximately 9.58 tonnes of plastic, 10.86 tonnes of paper, and 57.17 tonnes of metal.

Environmental, Social and Governance (ESG) Report

2.4 Analysis Related to the Company's Impact on Environment and Natural Resources

2.4.1 Analysis of significant impacts on environment and natural resources caused by the Company's business activities, and relevant measures thereof

The impact of the Company's operating activities on the environment and natural resources mainly comes from the emissions of exhaust gas, greenhouse gas, waste water and wastes. In 2020, the Company did not encounter any related matters that have significant impact on the environment and natural resources due to exhaust gas, greenhouse gas emissions, waste water and wastes.

In order to minimize the environmental impacts of corporate emissions, the Company has developed the Management System for Three Types of Waste* (《“三废”管理制度》). The three types of waste include waste liquid (initial rainwater/domestic wastewater, production waste water/waste solvents), exhaust gas, waste barrels, and scrap of materials (slags), etc. The Company's management principles for the three types of waste include: (i) determination of pollution sources and pollutants in accordance with environmental laws and regulations; (ii) establishment of internal recycling system and appointment of qualified external disposal agencies; and (iii) sub-allocating disposal expenses to responsible departments for centralized assessment with its production and consumption of packaging materials. The Company recycles the waste water and waste solvents generated by it in accordance with the system.

In addition, the Company has installed on line monitoring equipment for exhaust gas emissions data to monitor exhaust gas emissions in real time.



(On-line monitoring equipment for exhaust gas emissions data)

Environmental, Social and Governance (ESG) Report



(On-line monitoring equipment for exhaust gas emissions data)

2.4.2 Major climate-related issues affecting the Company and countermeasures

In order to effectively cope with the heavy air pollution, establish and improve the emergency response mechanism of heavy air pollution in Hangzhou, and improve the early warning and emergency response capability of heavy air pollution in Hangzhou, the Hangzhou Municipal Government has formulated the Heavy Air Pollution Contingency Plan of Hangzhou Municipality* (《杭州市重污染天氣應急預案》). The Company has, in accordance with the requirements of the government, produced the "Industrial Enterprise Emergency Response Measures for Heavy Air Pollution of Hangzhou Municipality – One Factory, One Policy Billboard"* ("杭州市工業企業重污染天氣應急響應措施一廠一策公示牌") and taken different production suspension measures for different climate response levels.

Environmental, Social and Governance (ESG) Report



(“Industrial Enterprise Emergency Response Measures for Heavy Air Pollution of Hangzhou Municipality – One Factory, One Policy Billboard” of the Company)

3. ANALYSIS OF CORPORATE SOCIAL RESPONSIBILITY

3.1 Analysis on the Company's Employment and Labour Practices

3.1.1 Overview of staff employment and labour standards

Employment principle

The Company strictly complies with the Labour Law of the People's Republic of China* (《中華人民共和國勞動法》), the Labor Contract Law of the People's Republic of China* (《中華人民共和國勞動合同法》) and therefore has developed refined staff employment regulations and rules, with a view of adopting the principle of equality and non-coercive on recruitment.

Information on employees

As at 31 December 31 2020, the Company had a total of 150 employees, of which 150 were full-time employees and no part-time employees.

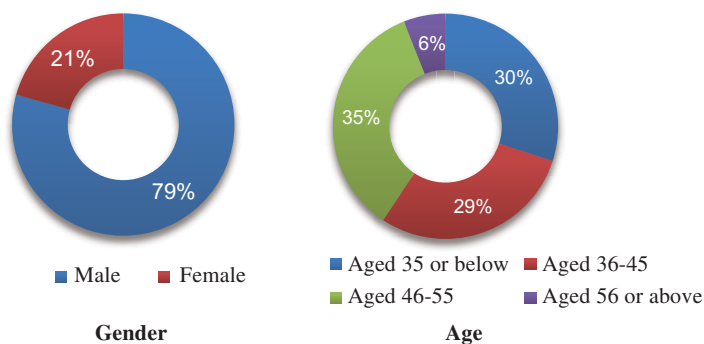
Environmental, Social and Governance (ESG) Report

According to the distribution by gender, the Company had a higher percentage of male employees, with 119 male employees, accounting for approximately 79%, and 31 female employees, accounting for approximately 21%. In order to create a good working environment for employees, the Company strives to ensure that employees are entitled to all statutory holidays and insurances. The Company's staff handbook provides that, female employees who have been pregnant for over seven months and do not have sufficient physical strengths for work may apply for pregnancy leave, and subject to the approval of department heads, are entitled to salaries of no less than 80% of local minimum salary for guaranteed living during the period of leave. During the period of pregnancy, the hours of female employees taking antenatal checkups shall be treated as working hours. For female employees who give birth legally in accordance with the requirements of laws and regulations shall obtain certifications issued by healthcare institutions at county (district) level or above. For those who need to rest for their pregnancies, their salaries during the rest period shall be calculated in accordance with the rules of the Company for sick leave. Female employees are entitled to normal maternity leave of 98 days (and can apply for leave of 15 days before the due date) and bonus leave of 30 days. Additional maternity leave of 15 days is available to those with dystocia. For female employees who have born more than one child, they are entitled to additional maternity leave of 15 days for each additional child. Female employees who have experienced spontaneous and induced abortion within three months of pregnancy are entitled to a maternity leave of 20 days, and those who have experienced spontaneous and induced abortion over three months but within seven months of pregnancy are entitled to a maternity leave of 50 days. Those having preterm birth over seven months of pregnancy are entitled to normal maternity leaves.

By age, the Company also has a relatively balanced and reasonable distribution of employees in all age groups, with 45 employees under the age of 35, 44 employees aged 36-45, 52 employees aged 46-55 and 9 employees over the age of 56. The low average age of our employees indicates that the Company is focusing on adding energetic manpower into workforce while cherishing experienced employees.

By geographical location, the Company's employees are mainly from Zhejiang province, accounting for approximately 76% of the total number of employees, while the remaining approximately 24% are from Anhui, Guizhou and Hunan provinces.

Percentage of employees of the Company by gender and age in 2020



Environmental, Social and Governance (ESG) Report

Percentage of employees of the Company by geographical location in 2020

By geographical location	Number of employees	Proportion of employees
Zhejiang Province	114	76.0%
Anhui Province	7	4.6%
Guizhou Province	6	4.0%
Hunan Province	4	2.6%
Jiangsu Province	3	2.0%
Guangxi Zhuang Autonomous Region	3	2.0%
Yunnan Province	3	2.0%
Henan Province	3	2.0%
Heilongjiang Province	3	2.0%
Hubei Province	1	0.7%
Jiangxi Province	1	0.7%
Shanxi Province	1	0.7%
Sichuan Province	1	0.7%

Employee turnover

In 2020, the Company's total employee turnover was 13, accounting for 8.7% of the total number of employees in service.

By gender, male employees of whom was 12, representing approximately 10.1% of male employees turnover rate, while female employees of whom was 1, representing approximately 3.2% of female employees turnover rate.

By age, 7 of whom were aged 35 or under with a turnover rate of approximately 15.6%; 3 of whom were aged 36-45 with a turnover rate of approximately 6.8%; while 3 of whom were aged 46-55 with a turnover rate of approximately 5.8%.

By geographical location, 10 of whom were from Zhejiang Province with a turnover rate of approximately 8.8%; 1 of whom were from Jiangxi Province with a turnover rate of 100.0%; 1 of whom were from Jiangsu Province with a turnover rate of approximately 33.3%; while 1 of whom were from Guizhou Province with a turnover rate of approximately 16.7%.

Environmental, Social and Governance (ESG) Report

Employees' rights and benefits

The Company protects the rights and benefits of all its employees by providing clear provisions on the rights and benefits of its employees in its employee manual and labour contracts. Under the standard working hour system implemented by the Company in accordance with the law, employees shall work for not more than 8 hours a day and not more than 40 hours a week with a day of rest every week. In accordance with the relevant laws and regulations, the Company arranges employees to work overtime in view of business needs, as well as protects employees' legitimate right to rest. The Company provides employees with basic salary, bonus and various allowances including vehicle allowance, meal compensation, high temperature weather subsidies, travel, accommodation and other allowances, as well as benefits including staff meals, social activities, tourism and free physical examinations. In addition, the Company makes contribution in full and on time for employees in respect of housing funds and social insurance including pension insurance, medical insurance, unemployment insurance in accordance with the relevant requirements of the Labour Law of the People's Republic of China* (《中華人民共和國勞動法》), the Social Insurance Law of the People's Republic of China* (《中華人民共和國社會保險法》), the Regulations on Management of Housing Provident Fund* (《住房公積金管理條例》). Employees are also entitled to remuneration, benefits and leaves required by laws and regulations, such as work-related injury leave, sick leave and marriage leave.

Employee incentives

The Company carries out annual appraisal of employee performance, including (i) sales appraisal: one sales champion and one sales star are selected; (ii) technical appraisal: one technical champion and one technical star are selected; and (iii) production appraisal: one production champion, three advanced production workers, as well as certain advanced safety and environmental protection workers are selected. The appraisal criteria is expressly set out in the Administrative and Human Resources Management System* (《行政人事管理制度》) of the Company, and the appraisals are conducted based on actual situations. Promotion priority shall be given to employees with earlier commencement of employment.

Environmental, Social and Governance (ESG) Report

3.1.2 Overview of protection for employee health and safety

According to the Law on Prevention and Control of Occupational Disease of the People's Republic of China* (《中華人民共和國職業病防治法》), in order to ensure the health and safety of employees, the Company has taken the initiative to formulate the Occupational Health Management Systems* (《職業衛生管理制度》), thus setting out a series of responsibilities and safety measures relating to occupational health, which includes, among others, the responsibility system for prevention and control of occupational hazards, the occupational health hazard warning and notification system, the occupational health publicity, education and training system, the occupational hazard declaration system, the system for daily monitoring and management of occupational hazards, the occupational health monitoring file management system, the system for maintenance and repair of occupational hazard protection facilities, the occupational hazard accident handling and reporting system, the rules and regulations for prevention and control of occupational hazards, the "three simultaneousness" management system for occupational health of construction projects, the emergency rescue and management system for occupational hazards, and other occupational disease prevention and control systems stipulated by laws, regulations and rules. In addition, the Company provides one annual occupational health examination to technicians and producers, provides non-occupational health check-ups to other employees, and organizes employees to participate in online and offline safety training.

During the past three years, the Company has no deceased employees due to his/her work. In 2020, the total number of working days for employees of the Company who suffered from work-related injury was 6 working days.

Measures on occupational health and safety

– Labour protection, working conditions and protection against occupational hazards

The Company attaches great importance to the safety protection of employees, as well as the prevention against occupational diseases, thus setting out the provisions regarding labour protection, working conditions and protection against occupational hazards clearly in the employment contracts. Such provisions include, among others, that the Company shall establish production safety systems in accordance with the relevant laws and regulations in the PRC, and that employees shall strictly comply with the labour safety system of the Company established thereof. Operation against the rules is strictly prohibited for both parties, aiming to prevent accidents during the employment and therefore reduce occupational hazards. In accordance with the regulations in the PRC relating to labour safety and health, the Company arranges and improves necessary safety protection measures, as well as distributes necessary supplies for employees as their positions required. The Company keeps employees informed of potential occupational hazards and the associated consequences during their the work processes. It has established a refined responsibility system for the prevention and control of occupational diseases, and has developed and implemented measures to prevent occupational diseases. Under the high temperature in summer, the Company shall adjust the work intensity appropriately and grant subsidies.

Environmental, Social and Governance (ESG) Report

– Safety training and fire drills

In 2020, the Company proactively held safety training and fire drills, including training and drills on fire safety knowledge, training on typical accidents and emergency rescue cases, training on national security laws and regulations, training on restricted space in special operations, training on safety knowledge on summer heat prevention and heat protection.

In addition, the Company has formulated and implemented the following policies: (i) establishing safety execution procedures for work identified as dangerous; (ii) providing and ensuring the safety of office and work sanitation, machinery and equipment are regularly inspected; (iii) establishing emergency measures for emergencies such as in the event of a fire or explosion; (iv) establishing mechanisms to record and analyze the occurrence and causes of work-related injuries; providing and maintaining an environmentally friendly, healthy and safe workplace; (v) prohibiting its employees from using and buying alcoholic drinks and banned drugs in the workplace unless pre-approved; (vi) actively promoting employees' awareness of environmental protection, health and safety, and support the development of environmental protection, health and safety in the industry; and (vii) and providing all employees with the required work information, guidance, training and supervision.

3.1.3 Overview of staff development and training

In order to support the personal growth of employees, the Company provides various forms of on-the-job training and off-the-job training for employees. In 2020, the Company held various special training courses including induction training for new employees, fire drills, three-level safety education and training for new employees, training on work safety management and production knowledge, on-job knowledge training, safety education for management personnel. The Company held a total of 16 training sessions in the year, with a total of approximately 200 training hours and over 420 participants. The average number of hours per employee of the employee to be trained is as follows.

By gender	Trained employees	Average hours of training completed by each employee
	Percentage (%)	(hours)
Male	84	20
Female	16	20

Environmental, Social and Governance (ESG) Report

By type of employees	Trained employees Percentage (%)	Average number of hours per employee completed training
Senior management	3.4	15
Middle management	9.2	15
Others	87.4	20

The training information of the Company for 2020 is shown in the table below.

Main topics	Number of staff participated in	Training hours
Training for new employees	23	92
Three-level safety education for new employees	15	45
Promotion of national security laws and regulations	13	3
COVID-19 epidemic prevention	10	2
Pre-resumption safety training	67	10
Training on the knowledge in dealing with toxic and explosives substances	18	2
Safety training for factory team leaders	13	1.5
Training for production safety management and production technology knowledge	20	3
On-job knowledge	15	2
Safety education for management	18	2
fire safety knowledge, fire drills	27	3
Emergency rescue and health knowledge	23	3
Summer heat prevention, Heat Protection, lightning protection	34	2
Analysis of typical accidents and emergency rescue cases	60	3
Training of knowledge in dealing with special operations in restricted space	21	2
Million employees' safety training	45	24

Environmental, Social and Governance (ESG) Report

3.1.4 Standards and measures for preventing of child or forced labour

In strict compliance with the requirements of the Labour Law of the People's Republic of China* (《中華人民共和國勞動法》) and the Law on the Protection of Minors of the People's Republic of China* (《中華人民共和國未成年人保護法》) the Company avoids any hiring of child or forced labour in its business operation, and firmly insist on a zero tolerance approach to child or forced labour in any form. We also require our suppliers to avoid any hiring of child or forced labour during the assessment on them. The following are the policies prohibiting the use of child labor or forced labor:

The human resources department shall take effective procedures to verify the age of any candidate before he/she is employed. The human resources department shall examine documents that can prove the age of the applicant, including photo-bearing identity cards, birth certificates, driving licenses, household registration books, educational certificates or any other valid documents issued by the government that can prove the date of birth, and shall make sure the photos on the identity card match the appearance of the applicant.

Training on child labour and forced labour prevention was conducted for the human resources department, in particular for the hiring staff.

In the case of child labour found in the Group under the statutory minimum age for employment, we will always take the following measures in accordance with the requirements of the relevant laws, from the point of view of being most in the interest of the child labour: (i) immediately remove the child from the workplace to ensure the safety of the child himself; (ii) immediately inform the head of the human resources department, verify all relevant information, confirm whether the child is a child worker, terminate the labor relationship with the child worker, inform local social welfare institutions and take remedial measures to protect the interests to the greatest extent possible; (iii) send the child to a specialized occupational health examination institution for physical examination, which will require the identification of the child's physical and mental health and to conduct an investigation and visit to fully understand his situation; and (iv) when the child reaches the statutory minimum age for employment, the child will be provided with opportunities for re-employment and immediately identified problems in the recruitment process for the business site of the problem, and improved measures shall be taken within 90 working days.

If forced labour is found in the Group, we will take the following measures as required by relevant laws: (i) immediately remove the worker from the workplace to ensure his own safety; (ii) immediately notify the person in charge of the human resources department to verify all relevant materials to verify whether the party is a compulsory labor force; and (iii) send the labour to a specialized occupational health examination institution for physical and mental health verification, which required a full understanding of his or her condition and an immediate identification of the problems in the recruitment process at the business site of the problem, and measures to improve the situation shall be taken within 90 working days.

Environmental, Social and Governance (ESG) Report

3.2 Analysis of Operation and Management

3.2.1 Overview of supply chain management

In 2020, the Company had a total of 268 suppliers, including 256 raw material suppliers and 2 goods transportation suppliers and 10 suppliers of packaging materials. The number of suppliers by geographical location is shown in the table below.

By geographical location	Number of suppliers
Anhui Province	8
Beijing Municipality	1
Fujian Province	4
Guangdong Province	8
Hebei Province	1
Henan Province	2
Hunan Province	3
Jiangsu Province	55
Jiangxi Province	2
Liaoning Province	1
Shandong Province	5
Shanxi Province	1
Shanghai Municipality	63
Sichuan Province	2
Zhejiang Province	82
Total	268

Supplier selection criteria

The Company has established a comprehensive supplier evaluation mechanism for reviewing the qualification of suppliers, identifying the environmental and social risks of suppliers and reviewing them by third parties where necessary. When suppliers are found to be inconsistent with the Company's policies or contractual requirements, the Company will terminate the cooperation in future until the situation improves.

Environmental, Social and Governance (ESG) Report

The Company has proposed seven requirements for the selection of suppliers: (i) eligible as independent legal entities, which are able to provide business licences and bank information, and (if special qualifications are required) relevant qualifications and certificates; (ii) abiding by the laws and regulations in the PRC and the relevant social responsibilities and ethics, in particular those relating to the protection of labour rights, health and safety, environmental protection and business ethics; (iii) adequate in capital strengths and supply capacities which are in line with their supply sizes and the ability to deliver on schedule; (iv) acknowledged on the procurement needs of the Company and capable to provide corresponding technical indicators and safety and environment certificates when supplying materials; (v) capable to arrange business personnel, who are familiar with the material supplied thereof, for contacting us, so as to ensure that their material supplied meet our requirements; (vi) operating with processes that meet the management requirements of the Company, as well as comply with the relevant regulations and rules of the Company; and (vii) abiding by business ethics and therefore shall not disclose any business or technical information of the Company to any entity or individual without the consent of the Company.

New suppliers must undergo supply trials and pass assessment before inclusion in the List of Qualified Suppliers* (《合格供應商名錄》), which will then be reported to the procurement department manager and chief engineer for review and general manager for approval, thus filing by the procurement department. For the annual confirmation of list of qualified suppliers, the procurement department will prepare a list of proposed qualified suppliers based on the assessment results of suppliers for the previous year, and afterwards report it to the procurement department manager and chief engineer for their review and confirmation, and finally implemented by the procurement department.

The Company arranges a supplier assessment in every January, during which the procurement department examines whether the qualification certificates of suppliers are valid and capable to meet supplier requirements. The procurement department scores the annual performance of suppliers based on the data recorded in the database: 60 points for the supplier's quality, covering product quality, packaging quality and weight deficiency, etc. The score is based on the qualified rate, which is calculated based on the number of batches of supplies and the number of qualified batches; 20 points for transaction conditions, covering the comparison of prices, credit term and payment method, etc. The score is based on the credit term, payment condition and number of days for monthly payment, etc; 20 points for the supplier's services. Suppliers' services are assessed in terms of delivery ability, service response and cooperation in development, etc. The annual assessment score of each supplier is calculated by combining the three items above. The supplier assessment results shall be to the procurement department manager and chief engineer for review and confirmation. The outstanding suppliers, which are rated as 85 or above in the evaluation, shall be given priority in the procurement process in a normal time. For those rated 60-85 in the evaluation shall be qualified suppliers. For those rated lower than 60 (or the score on quality is lower than 48), the qualification of the supplier shall be cancelled. If it is necessary to retain it under any special circumstance, it shall be subject to the discussion and consent of the procurement department and the technology department, and be subject to the approval of the general manager or authorized representative. The suppliers that have disputes but have not been effectively resolved shall not be listed in the catalog of suppliers without comprehensive evaluation. Evaluation records are filed by the procurement department.

Environmental, Social and Governance (ESG) Report

3.2.2 Overview of product liability

Product quality management

In 2020, the Company had no products required to be recalled due to safety and health issues and 27 effective complaints.

According to the Product Quality Law of the People's Republic of China* (《中華人民共和國產品質量法》), in upholding its operation concept of “market-centred and customer-oriented strategies”, the Company has formulated a complaint management system for strengthening its aftersales services for products, as well as fulfilling customers’ everchanging needs and improving their satisfaction. In case of any complaint, the Company shall deal with it immediately in accordance with the system. The complaints and unusual situations of the Company are all managed by the chairman of the board. A complainant may submit any complaint by filling up the complaint and unusual situation report, which shall be subject to the review and approval of the chairman of the board, and thus passing to the chief engineer. If a customer's complaint involves product quality, of which the production batch number has been generated for one month or below, the sales department shall examine the inventory and sales of the whole batch of products, and shall fill up the record thereof. In connection with the complaint, the chairman of the board shall determine the loss of the Company, while the responsible department shall carry out analysis and make improvement, as well as conduct assessment on responsible persons. If it is determined that the complaint on product is attributable to the deficiency of raw materials, a raw material report shall also be completed separately. In the process of handling, the administrative department shall track the progress, register it in the monthly quality complaint report and upload it to the server of the Company for the use among the Company.

The Group has put emphasis on quality control in all aspects of its business, with a view of protecting its brand value and image. The Company has developed a quality management system, which sets out three principles for quality management: (i) determining work objectives and sorting out management process; (ii) a practical and realistic attitude shall be adopted for day-to-day work, which shall be carried out based on facts and well-documented; and (iii) the management shall be engaged in monitoring, giving feedback and continuous improvement. The Company sets annual quality objectives at the beginning of each year, and afterwards carries out assessment at the end of each year. The assessment covers (i) complaint ratio; (ii) crazy-horse compensation ratio; (iii) raw materials downgrading ratio; (iv) product downgrading ratio; and (v) product failure ratio. The Company has set up a quality management section in the manufacturing department which is mainly responsible for managing the quality work of the manufacturing department, as well as sorting out the relevant quality management process of the Company. The chief engineer of a business department shall be responsible for the quality management of the relevant business department. The technical team of the business department shall be responsible for formulating testing methods, testing standards and samples. The production section of the business department is responsible for monitoring the process of daily raw materials, intermediates, products, packaging products.

Environmental, Social and Governance (ESG) Report

For all of the new materials or the same type of raw materials provided by different suppliers (except for the products originated from the same manufacturer provided by different suppliers), samples shall first be obtained for testing and determining for whether such materials shall be adopted. Before the bulk procurement for mass production, all new materials, new products and new formulas must undergo pilot tests. In addition, the number of batches for pilot test shall be controlled by the means of commencing its production with the smallest amount, and thus preventing large amount of experimental defects during the test. To maintain strict control over the product quality appraisal process, the Company has formulated a complete set of sampling, as well as the sample retention principles thereof. With regard to product returning, the Company has developed a standard product-returning procedure, covering the workflows of product inspection, registration and cost accounting.

Intellectual property rights management

In accordance with the Patent Law of the People's Republic of China* (《中華人民共和國專利法》), the Detailed Rules for the Implementation of the Patent Law of the People's Republic of China* (《中華人民共和國專利法實施細則》) and other relevant regulations, the Company has formulated a detailed patent management system, which covers areas including, among others, general principles for patent management, patent application, patent awards, responsibilities and penalties, as well as patent transfer, so as to effectively standardize the Company's mechanism for use and protection of patents.

Consumer data security and privacy policy

The Company strictly complies with the relevant laws and regulations to protect customer information and privacy. In order to strengthen the guarantee, the Company uses ERP system to set the user's authority. At the same time, the Company uses the encryption system to encrypt all electronic documents, only through the approval and decryption by the superior authority can be issued.

Environmental, Social and Governance (ESG) Report

Product concept

The Company adheres to the concept of eco-green, environmental protection and sustainable development and is a founding member of China Synthetic Leather Green Supply Chain Industrial Innovation Strategic Alliance* (中國合成革綠色供應鏈產業創新戰略聯盟). At the same time, the Company responds to the PRC government's call for environmental protection by providing customers with water-based colour paste.



(Certificate of China Synthetic Leather Green Supply Chain Industrial Innovation Strategic Alliance)

3.2.3 Brief analysis of anti-corruption measures of the Company

During the reporting period, no corruption case has been filed against the Company.

The Company has established a system for the reporting and handling of conflicts of interest, has provided clear commitment to responsibilities for each post, thus avoiding acts that conflict with the Company's interests, and requiring employees to report such conflicts of interest to the Company in a timely manner. In addition, the Company has established a misconduct reporting mechanism to encourage employees to take the initiative in the management, supervision and reporting of irregularities.

Employees of the Company are required to participate in anti-corruption training when they join the Company. Its staff handbook sets out clear regulations on the punishment of violations: if any employee is found to have accepted bribery by taking advantage of his/her job or position, the Company shall terminate the employment contract with him/her without paying financial compensation.

Environmental, Social and Governance (ESG) Report

The Company has established environmental, social and governance policies and procedures manual which include policies on prevention of bribery, extortion, fraud and money laundering. All Directors, management and employees are subject to all national and local government laws and regulations in relation to the prevention of bribery, extortion, fraud and money laundering in their daily work. It is the responsibility of all the employees to understand and comply with the above policies to prevent bribery, extortion, fraud and money laundering and to report violations to the appropriate persons. Any person who violates the code will be subject to disciplinary action.

3.2.4 Overview of community engagement of the Company

During the reporting period, the Company has demonstrated its commitment to perform corporate social responsibility and provided capital to support public undertakings such as medical, educational and poverty alleviation.

The Company participated in the 20th "Spring Breeze Action" organised by Jiande Charity Association, and made donations of RMB5,000. The funds raised through the activity were mainly utilised for the condolence visits to families either receiving low income subsidies, having financial difficulties or being supported by five guarantees in rural areas at the Chinese New Year festival, as well as the expenses for other projects (such as visits to employees and families with financial difficulties and left-behind children, the Cool Summer Visit, Spring Breeze Students Assistance, Visit on Senior's Day, Temporary Assistance and Giving-Back Assistance).

The Company made RMB50,000 donations for the prevention and control of COVID-19.

公益事业捐赠统一票据
UNIFIED INVOICE OF DONATION FOR PUBLIC WELFARE

建德市慈善总会
303063180010149043205
交行建德支行

年 月 日
2020 3 2

票据代码: 21101
票据号码: 1800020255

捐赠项目 For purpose	实物(外币)种类 Material Objects (Currency)	数量 Amount	金额 Total amount
01230208 捐赠收入	元		
预防新冠肺炎防控			50,000.00
合计金额(小写) In Figures			50,000.00
合计金额(大写) In Words			伍万元整

接受单位(章) Receiver's Seal: 建德市慈善总会
开票人: 潘红霞
Handling Person

感谢您对公益事业的支持! Thank you for support of public welfare!

注: 本票据限于2020年12月31日前填开使用方为有效。

(2020 "Prevention and Control of COVID-19" Donation Note)

Environmental, Social and Governance (ESG) Report

The Company's donations in support of elderly philanthropy amounted to RMB10,000 during the donation campaign of "Love Dedication for Double Ninth Chong Yang Festival in Jiangshan Village"* (姜山村九九重陽節獻愛心).



(2020 "Love Dedication for Double Ninth Chong Yang Festival in Jiangshan Village" Donation Certificate)

In 2020, the Company participated in the "Modern Apprenticeship Preparation Single Class"* (現代學徒制訂單班) project under the collaboration and paired assistance between the eastern and western regions and poverty alleviation, which supported 6 students and provided RMB900 per month for each student, RMB600 per year in tuition and miscellaneous fees and two home tolls per year. The "Modern Apprenticeship Preparation Single Class" is an important measure of Jiande City to assist Cengong County of Guizhou Province. It is jointly organized by Jiande City Industrial and Commercial Federation, Ministry of Human Resources and Social Security, and the Emergency Management Bureau. The class was a poverty alleviation project undertaken by Jiande City Industrial and Technical School, which was targeted for matching enterprises' needs and the career choices of graduates when participating, according to the mode of "Contributing by the Enterprises, Fostering by the Schools", so as to provide training specifically.